Guidance Notes
24+ Advanced Learning Loan

October 2012

Introduction

From 2013/14 academic year, loans will be available for learners in FE aged 24 and above studying at Level 3 and above, including apprenticeships. This change requires legislation, with Government looking to have in place by September 2012. Loans will then commence from 1 August 2013 with applications available from April 2013.

The government will provide a budget of £129 million in 2013-14 financial year increasing to £398 million in 2014-15. It is anticipated that 204,000 new learners each year will be funded by the Loans system. These loans are only applicable to England; any decisions to introduce loans elsewhere will be a matter for the devolved nations.

The first loans will start to be repaid in April 2016 made automatically through the tax system. Learners will have the option of making voluntary repayments at any point. Even if the learners has multiple loans (combination of HE and 24+ Advanced Loan) there will ONLY ever be one payment through the PAYE/Self Assessment system of earnings over £21,000

It is anticipated there will be a programme of communication about the availability of loans including terms and conditions during the first quarter of 2012-13 academic year, which will be welcomed by providers who are generally unaware of the conditions for loans.

Changes to funding policy

The reason for the introduction of loans is the government prioritising the limited funding grants to learning for young adults, particularly those needing English and maths skills, and those seeking work.

24+ Advanced Loans will replace public funding for learners representing around 10-15% of learners. Younger learners and those seeking to gain basic qualifications at Level 2 and below will continue to be funded by the SFA in the normal way.

For the first time loans will give learners in FE access to financial support for tuition costs similar to HE, this means rather than paying for the course upfront they have the option of access to a loan. For those who did have access to public funds then this will be seen as a disadvantage to current arrangements.

Grant funding will be removed from the start of 2013-14 year for all new L3 starts. Existing learners on programme will continue to be grant funded.

For those unemployed, the regulations regarding the mandating of benefit claimants to undertake training can only apply where the individual makes a contribution toward the cost of that training. On this basis it is not possible for Jobcentre Plus to mandate provision at Level3 or above for those 24 and over.

What do Loans cover – key facts
Loans will cover the cost of tuition, and will be available through Student Finance England (SFE) a service providing support for the Students Loans Company (STC) who administers student loans for the HE sector.

A learner can access up to four loans, each for a different type of course or different level, although the leaner can only have one loan at a time.

Similar to current HE conditions employers cannot take on the liability for the loan, however they can enter into an agreement to cover the cost of the loan if the employee meets specified conditions – could be successful completion. On this basis the employee could repay the loan soon after completion, rather than repay the loan monthly once their income is above £21,000.

Individuals who are eligible must meet the following criteria:

- Aged 24 or over at the start of the course (no upper age limit)
- Resident in the UK on the first day of the course (and lived in the UK for 3 years)
- Studying with a provider approved for public funding
- Not previously had a loan to do the **same** qualification and level
- Additional loans **will** be available for different qualifications or levels
- The maximum number of loans an individual can take is 4
- Loans can be accessed anytime during the year – not bound by September starts (probably more flexible than most HE courses)

With the following qualifications and frameworks eligible for funding at Level 3 or above

- ‘A’ levels
- Access to HE Diplomas
- QCF L3 Certificate or Diploma
- QCF L4 Certificate or Diploma
- Advanced or Higher Apprenticeship Framework

It should be noted Level 5 qualifications listed on LARA at the point of application will also be eligible for the future.

Note: There is no funding for units or awards under Loan arrangements, however credit accumulation can be used as part of the wider qualification, this maximises any previous public investment and does reduce learner fees.

Are Loans really different to current funding?

Loans are still Government funding with controls and bureaucracy inevitable to protect the public purse, therefore the following procedures remain:

- Remains in scope for Ofsted inspections
- Success rates (until funding matrix changes)
- ILR returns
- Minimum Levels of Performance
- Audit requirements

Providers will need to consider these requirements when operating loans within their organisation.

The loans size will depend on the tuition fee for the course, which will be set by the college or training provider. The minimum loan amount is £300.

For apprenticeships, there will continue to be an assumed contribution from the employer of 50% of the fully funded rate – contributions can be made in cash or benefit in kind.

The loan **cannot** be used to subsidise the costs of books, travel, equipment or any other additional resource required by the learner to access the programme.

Applying for a Loan

Once the course has been identified the learner will then need to confirm their intention with the provider they wish to register with them to complete the course.

Application forms are accessed online; alternatively paper applications will be made available through colleges or training providers.

The provider must produce a ‘course offer’, which will assist the learner in considering their options and what actions to take. The learner is entitled to a loan up to the maximum amount of public funding available (currently £4,000) or up to the level of the fee charged for the course – whichever is the lowest.

Note: The ‘course offer’ will be essential if a learner wishes to make an application to the Student Loan Company (SLC) – without the information it will be very difficult to complete the application.

The ‘course offer’ from the provider should provide the learner with the following critical information to complete the application:

- Details of the provider (UKPRN, name, etc.)
- Qualification Aim Reference – details of the course
- Unique Learner Number
- Tuition fee
- Maximum Loan value
- NI number - this is to allow payment release to provider, if a student does not have one they will need to obtain one, which can be done by arranging an appointment with their local Job Centre to have one assigned.

The learner is responsible for applying to the Students Loan Company, which can be done on-line or paper based application. It will be assessed by the SLC against the following:

- Eligibility of funding
- Residency Status
- Identification evidence – passport details the ideal route

UK learners without a valid UK passport will have to provide their original birth certificate along with associated declaration form.

All loans are for the duration of the course, so students do not have to reapply if the course extends beyond one year. If the student changes their mind and no longer undertakes the course they simply contact the Students Loans Company to cancel their application.

Note: It should be noted no means testing or credit checking will be carried out by the agencies

Confirmation of Loan and Payments

The Student Loan Company will notify **both** the learner and provider when the application has been processed. The ‘learner provider portal’ will be the essential window for providers to access information, including the amount loaned to the individual. Its intended the portal will have a pre-approval stage, which means the STC could be waiting for further information.

The provider then notifies the SLC the learner has started to activate the loan, they will then send quarterly notifications to confirm the learner is still in learning or left the course.

All course data will be checked against the LARA database for eligibility purposes.

The anticipated turn around time for successful applications (with passport evidence) for all on-line application is forecast at 4-5 days. Paper based applications will be processed within 2 -4 weeks, dependant on correct and relevant applications.

The SLC will make payments direct to the provider on a monthly basis, making any reconciliation if a learner has left the course during the quarter.
Note: Providers will need to consider their procedures for notifying the SLC if a learner has left the course as failure to do so will add to the total loan which has to be repaid – a source of potential complaints.

Repayment of Loans
Loan repayments are collected through the tax system and the first repayments commence in April 2016, thereafter HMRC will start collecting repayments from the April following **completion** of the course, providing the learner earns over £21,000.

Repayments are based on a fixed proportion of income, starting once the learner earns over £21,000 and set at 9% of income over that threshold. There will be a single repayment regardless of the number of loans taken out, including HE loans. Any balance is written off after 30 years

Note: It is anticipated interest will be lower than anything available from the high street and linked to inflation

If earning fall below £21,000 repayments will stop and only re-start when earnings increase above this threshold. Interest is charged at the Retail Price Index (RPI) of 3% during the period of study and up until the April they leave the course.

Note: BIS are looking for an alternative finance system to meet concerns of religious groups and those generally opposed to paying interest on a loan.

A learner does not become liable for the loan until they have been in attendance for 2 weeks; therefore the first attendance ‘confirmation’ is required by the provider two weeks after the learner commences their learning aim. This will not add bureaucracy as the SLC can take this information from the existing ILR system.

Payments will taken on a monthly basis to providers and profiled against the learners start and end date. Should the learner complete their aim early providers will be able to notify SLC and a balancing payment of the outstanding amount can be made.

Providers will receive an annual statement of their loan income.

What happens if the individual is made redundant?
If the individual or apprentice is made redundant and cannot find another employer, or they are not able to complete the course through no fault of their own, they would still be liable for *all payments* made to the college or training organisation until the point of withdrawal.

Repayments
These are straightforward, monthly repayments will be based on the individual's income, not what they borrowed.

Therefore the student only starts making payments when their income is more than £404 per week (£1750/month or £21,000/year).

The following is an example of income repayments:

Income	Monthly Salary	Monthly repayment
Up >£21,000	£1,750	£0
£22,000	£1,833	£7
£25,000	£2,083	£30
£30,000	£2,500	£67
£35,000	£2,917	£105
£40,000	£3,333	£142

Lets assume the individual is now earning £30,000 therefore £2,500/month before tax, they would pay 9% of the difference between what they earn and the threshold of £21,000.
£2,500 - £1750 = £750
9% of £750 = £67.50 rounded down to £67/month – see chart

If the individual is self employed they will be responsible for loan repayments as part of their annual self assessment tax return.

Employer Commitments
Loan repayments can be made by the employer by voluntary payments for part or the whole of the loan amount on behalf of the employee, or they can make individual agreements with their employees about loan repayments.

Employers should take independent advice on any tax implications, although BIS and HMRC are exploring the implications for employers and any possible options.

Recent Concessions
In July 2012 the government announced a number of concessions, particularly for vulnerable learners. The measures put in pace are:

- An offer to individuals taking an Access to HE Diploma course that on completion the SLC will write off the amount outstanding on the loan for their Access course – these are designed to help those with low qualifications but high ambitions into HE
- A £50 million bursary fund over the first two years aimed at vulnerable learners with disabilities, ex military personnel and parents who need help with child care and transport. The fund will be allocated to providers alongside their loan facility. This fund will be separate from existing Discretionary Learning Support (DLS) and Additional Learning Support (ALS) funds.
- The Government will also support individuals by offering AIG through career services for older adults who may be reluctant to take out a loan – a learning ‘health check’ particularly relevant given the research results which showed the over 40s were more reluctant to take out a loan

Role of the SFA
The agency will be running a number of training sessions for providers due to the lack of awareness before the launch in April 2013. Any provider with an Adult Skills Budget will be able to register learners with a loan irrespective of allocation.

The agency will set out where the rules are different to mainstream activity via the production/addition to the funding rules.

During October 2012 over 800 directly contracted providers received their offer of a 24+ Advanced Loans Facility from the SFA. The indicative offer was based on the providers track record delivering Level 3 and above for further educational and apprenticeship provision in 2011-12. The intention is for providers to accept or decline the allocation so the SFA can reconcile the £232 million budget and then issue final loan and bursary statements.

Note: The SFA will use their relationship managers to contact every provider in receipt of a loan facility during the final quarter of 2012 so statement can be sent out early in the new year.

If the take of loans is not strong there are no specific arrangements to allow underspends to be rolled forward to future years. Therefore there it must be the assumed any underspend would not be available for future years, so its in the interests of providers to develop robust plans for their loan allocation.

The Loans budget is separate to the Adult Skills Budget so there will be no flexibility to vire between the two budgets either nationally or at provider level.

Challenge for Providers
It has become clear the introduction of loans will require the development of staff and system requirements. The following represents some of the issues:

- Staff to operate the loans process (inclusive of any development costs)

- IAG for learners on the sources of financial advice so loan applications can be completed in a timely and accurate fashion
- Staff and systems to monitor applications and ensure rules are adhered to
- Polices for appeals, complaints and possible repayments where employers may be subsidising
- Production of guides for internal briefings
- Produce Fact sheets and FAQ (internal and external considerations?)

This list is not exhaustive, but does provide as guide as to the extra resource required to manage the loans process, which could be quite substantial in a large college.

Any sub contract arrangements are subject to normal agency rules, agency and STC engagement will be with the lead provider.

Marketing and Promotion (providers)
Providers will need to prepare their prospectus with loans in mind. It should at least include the following:

- Lear eligibility criteria
- Clearly identified tuition and related costs – what the loan will cover
- Process details, including timescales and application/decision procedure
- Term and conditions, including sanctions and penalties
- Impact on future credit rating i.e. mortgages
- Complaints procedures

Loans **will not** cover costs that do not directly relate to the learning activity as explained in the 2012-13 Funding Rules.

Providers are not expected to offer any financial advice but should signpost them to further information about loans, which could be part of the prospectus.

To encourage take up the future could be charging a price for the course, yet providing 'cash back' incentive if they complete. For instance if a course cost £3,000, but can be delivered at £2,500 they could then give a £500 cash back offer – a possible consideration for the future if attendance numbers for the those over 23 drops to unacceptable levels to run a course.

Role of National Careers Service
For customers aged 24 and over the National Career Service Advisors will be expected to make the learner aware of the availability of loans as part of the wider discussions and provide access to the relevant information.

The support will be particularly relevant to those over 40 where the research showed concerns about taking out a loan, this is being positioned as a loans 'health check'.

Private Training Providers – possible VAT issue
Currently private training providers, who deliver the greater majority of apprenticeships, face paying VAT on loans, whilst colleges who are deemed as ‘not for profit’ organisation will be exempt.

With the playing field providing a distinct advantage to colleges, this is considered an unfair situation. The Education Minister has taken this up HM Treasury with the signs a concession will made, but remains a current concern for providers.

Attitude and Research around Loans
The government is well aware there is a concern about individual attitudes some people will have towards the idea of taking out a loan to undertake advanced and higher level further education.

Market Research commissioned by BIS has shown three quarters of learners say they would consider learning by a loan, with loans not being seen a disincentive for the debt averse, however there is further evidence from the BIS surveys there could be a disproportionate impact on specific learner groups, particularly Black/Asian, young people and those seeking work.

The research suggests those aged 40+ are more likely to be resistant to the idea of taking out a loan, whilst It suggests 63% aged 23-29 would take a more favourable view, which could indicate this is an age group who would see the opportunity and benefit for career advancement.

Whilst the research concludes loans themselves do not appear to be a strong deterrent to participation, effective messaging will determine how they are accessed and received, so local variations could be seen.

It has been recognised by BIS and the agency that work needs to done to educate the sector and consequently the public. Reaction was significantly changed when details of FE loans were explained during the research, but with time ticking away for the introduction next year, the first year could be very challenging as providers adapt to the change.

During the research 83% who had borrowed money in the past, two in five had difficulty repaying it, so would be reluctant to consider taking out a loan for a qualification

Comment
Feedback would suggest many providers assume the introduction of loans will have a detrimental impact on the 24+ apprenticeship offer as learners are unlikely to undertake a ‘multiple’ element programme (including SASE requirements) when the option of a single L3 or L4 qualification with shorter timeframes and less cost could prove more attractive?

Will Loans create geographical differences across the country, as the system may favour large providers (have the resource to mange the process) which could have an impact on community offers?

Whilst the predictions indicate a 20% drop in numbers, around 300,000 people, there will be many who see loans as worthwhile investment for their career development, it will favour certain sectors like STEM, where more opportunities might be found?

There will be certain sectors where the ‘repayment of the loan’ could be used as a positive as a marketing tool where salaries are unlikely to meet the minimum repayment threshold of £21,000/year

The agency will provide details on how providers without a loans facility can access loans and also consider contract changes to support the introduction of loans.

For further detail the following links might be a useful source of information:

Skills Funding Agency 24+ Advanced Learning Loans
www.skillfundingagency.bis.gov.uk/providers/programmes/24advancedlearningloans

Student Finance England
http://www.practitioners.slc.co.uk/further-education.aspx.

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